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Opening address by Ms. Danuta Hübner
United Nations Under-Secretary-General
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Ladies and Gentlemen,
Colleagues,

In 1990s, opportunities emerged to address more efficiently massive needs of our region with regard to infrastructure development. Public-Private Partnerships have become an important mechanism for responding to the challenge of infrastructure development. As globalization has generated a tremendous flow of private capital around the world, PPPs are a way of harnessing these flows to provide higher quality and more varied services in transport, energy, and telecommunications and in municipal services like water and sanitation. Even though the transport sector is not as attractive to private capital as other sectors because of the huge outlays in finance required for transport projects, these challenges are being increasingly addressed and solutions found so that the benefits arising from PPPs in roads, rails, ports reach more and more citizens, even in the most challenging of investment environments. Overall, it is not a question of public versus private but of a partnership between the public and private sector which is required to meet the transport infrastructure challenges.

This is particularly the case of countries with economies in transition where infrastructure development cannot be financed through state budgets due to the poor state syndrome.

There are certainly the huge opportunities that are now present globally for PPPs, there are challenges which need to be addressed to maximise the opportunities and there are already pragmatic responses involving partnerships between the private sector and international community to make PPPs work successfully.

Opportunities for Public-Private Partnerships

Five years ago when the work to promote private finance in infrastructure began in the UNECE, the concept of PPPs was not commonly used. Now the concept is in the mainstream of development thinking and is voiced regularly at the United Nations and in other international fora.

PPPs are not new, they existed already back in the 19th and early in the 20th century. It was the private sector rather than the public sector which helped to build the heavy infrastructure of that time. Today there is a very strong democratic demand which is reflected in the need to ensure that infrastructure services cover more areas, provide access to more people and achieve more objectives. Amongst the most pressing goals are:

- environmental sustainability: user charges on access to roads, energy and water, the commercialisation of providers of such services and partnership with private firms have helped to preserve the environment and even to surpass minimum environmental standards;
- higher quality and better services: not just minimum services but rather high quality, speedy services delivered by well managed private providers that offer value-for-money
- involvement of the local communities in consultation on and planning of projects to ensure their social acceptability and engaging citizens and civic groups in the governance and the monitoring;
- guaranteeing social equity, poverty alleviation and inclusiveness that is, providing services which respond to the needs of all citizens, not just the wealthy strata of societies;
- expanding services provided by the private sector to new services such as health and education.

These guiding principles of PPPs now – universal service, social equity, environmental sustainability, social acceptability, and new services – are only achievable by partnership between a strong state and strong private sector.

On the private sector side, there is also an increasing understanding that beyond the shareholders, - it has wider obligations to all stakeholders of the development process. So my message is that we are seeing today a new approach, a new culture or PPPs.

It is also reflected in global initiatives such as:

- The United Nations Global Compact;
- The UN Millennium Summit where all the world's countries made commitment to poverty alleviation and called on public-private partnership to help to achieve this objective;
- Rio +10 process – leading to World Summit on Sustainable Development in Johannesburg next year. In this global movement to promote sustainable development PPPs are recognized in energy and transport as imperative for ensuring that environment and social development are not ignored.

Indeed, in different regions of the world there is a move to improve the environment for PPPs. Real progress is being made.

In Asia, the end of the financial crisis has allowed governments to reassess their infrastructure priorities and in Korea in November UNESCAP will launch a new initiative on PPPs. Many cities in Asia have been transformed by private financed schemes involving concession to private operators. In Bangkok, to give just one example, with a population in excess of ten million people, the privately funded express highway and the sky train have made the city for the first time manageable for visitors and local inhabitants.

In Latin America, democratisation and the demand for services allied with the strength of the US economy have provided new opportunities of investment in PPPs especially in transport.

In Europe, the tremendous progress in economic integration is leading to a renewed emphasis on ways and means of financing the energy supplies, the new transport corridors, border crossings, ports.

Challenges which need to be addressed

Notwithstanding the enormous progress in private provision of services around the world, it has been difficult to implement PPPs in transport. With regard to economies in transition, where needs for infrastructure development are massive, there has been not much understanding of the need to involve the private sector in the infrastructure. Governments were not prepared, trade union and construction companies felt threatened by new private providers in the transport sector. Environmentalists were not helpful and also raised objections. When targets were met in terms of delivery, public authority was also criticised for failure to be involved in the management and monitoring of some projects. Indeed, early in the transition fully private roads were criticised as being beyond the financial means of most road users in countries which were only just recovering from the early economic shock of transition.

Clearly, expectations were too high. The returns being asked by the private sector were also inflated. Certainly, now ten years on, the risk factor has fallen dramatically and no longer can it justify the disparity between the returns being asked for in eastern Europe and those in western countries.

Lessons have, however, been learned and the implementation of this new agenda in transport is moving ahead.

First, better understanding on the government side that the state needs to help with more open approach to guarantee and subsidy if the private sector is to develop transport projects.

Secondly, governments and the private sector are building transport projects on much more realistic commercial criteria.

Thirdly, the private sector brings its new technologies and state of art materials to protect fragile ecosystems. Many cities in Europe have been transformed by new environmentally sustainable transport systems provided by private financing.

Fourthly, private providers are also helping to make transport services accessible to the poor and disadvantaged. In many of the world's poorest countries, private providers to rural areas are

providing transport systems and the urban poor are able to take advantage of mass transit metropolitan schemes. This is often being done by the use of subsidies by governments to provide incentives to private companies to make sure that such social targets are met.

Fifthly, governments are not aware of the need to promote a consensus between the unions and management, social partners and local firms so that PPPs do not go forward in a sea of criticism and dispute as happened sometimes in the past. The new legislation on PPPs in Ireland for example, drafted by the transport authorities, is based on special social agreements signed by trade unions and the construction industry which will prevent conflicts occurring after the project has begun operation. Such agreements are critically important in building social partnership and industrial peace.

Of course, private sector solutions are not right for every nation but what is clear and undeniable is that the private sector has the creative energy and imagination to find ways of overcoming the most difficult of problems. The flexible financing and contractual schemes for example that the private sector can employ make projects in relatively poor areas by cash strapped countries now feasible.

Nevertheless, more guarantees and more actions at the international level are required in order to make PPPs an even bigger reality in the transport sector. One of the major challenges is developing PPPS in southeast Europe where the private sector and the commercial banks continue to be reluctant to invest. While in the trade facilitation field there has been a series of new instruments, in PPPs in contrast, there is nothing similar in this subregion.

One proposal could be to mobilise the export credit agencies from donor and commercial risks that can encourage lending by the international commercial banks. The EBRD has done much to promote private financing and PPPs and will certainly be looking carefully at new proposals to give more incentives to commercial banks to provide funds for transport infrastructure in the Balkans.

Pragmatic response

There have been some pragmatic responses to the challenge of PPPs in transport infrastructure.

The UNECE has a long history in developing the conventions for integrated transport systems across Europe. More than 50 European agreements have been negotiated in this regard. These frameworks are essential for economic development and trade; but the financing of new corridors and integrated transport systems remains a challenge. To this end the UNECE established an expert group called the BOT Group to raise awareness of best practices on private finance initiatives. In December 2000, the UNECE launched a Public-Private Partnership Alliance – to promote private funding in infrastructure, bringing together companies and governments to implement projects based on the principles and criteria mentioned above.

This Alliance will provide assistance to governments and to the private sector to improve the procedures, instructions and capacity to negotiate deals in their interest. It will help the private sector to meet government decision takes and to develop viable projects more quickly.

The PPP Alliance is working with the Stability Pact for South East Europe under the Investment Compact initiative. Under this programme we will hold a workshop in Slovenia on the legal instruments for successful consession financing. In the context meeting of the Working Table II in Bucharest in October 2001, we will present a special seminar on cases of successful PPPs around the world and how they can be adapted in southeast Europe.

The advisory work is also being supplemented by efforts to encourage the acceleration of PPPs by governments. Our group of experts is making efforts to overcome one of the major challenges – the difficulties governments have in presenting bankable projects. Accordingly, our UN panel of experts will invite from our member States some project proposals from which a few pilot projects will be selected into the market place.

In conclusion, there are huge opportunities for PPPs, this is a time where the international community is making renewed efforts to help the process and bring in the private sector. On behalf of the UNECE I would like to invite you to join us and to help transfer your knowledge and skills to our countries in Central and Eastern Europe.

Thank you for your attention.